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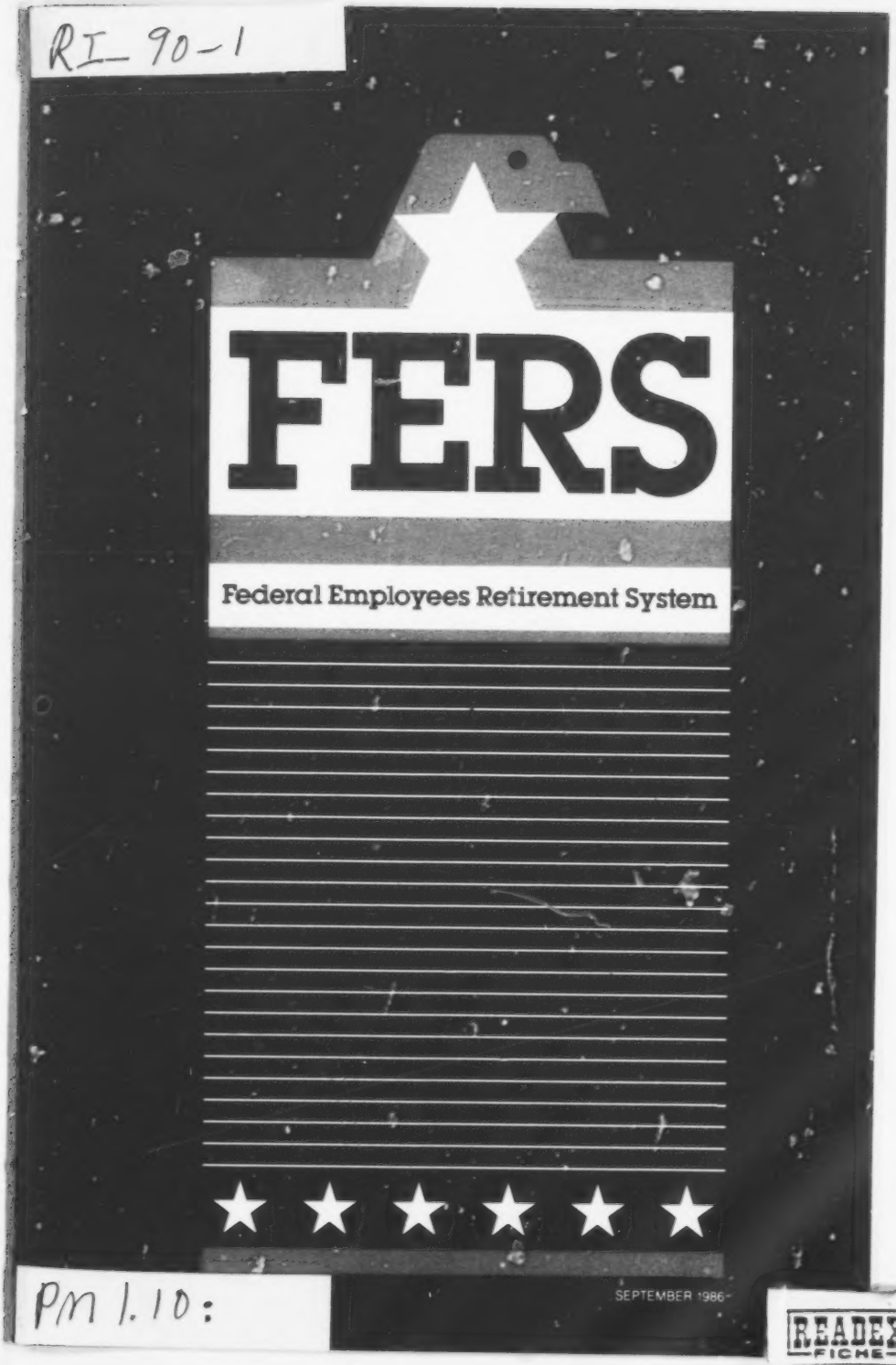

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UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

Office of the Director

A PERSONAL MESSAGE TO FEDERAL EMPLOYEES

On June 6, 1986, President Reagan signed into law an Act creating the new Federal Employees Retirement System. This system will have several advantages over the old one.

For the first time, you will have a real voice in determining the structure of your own retirement plan. You can decide how much you want to invest. You have a choice of several investment options. Equally important, if you leave Federal employment you can take most of your benefits with you.

If you were hired before 1984, you have an important decision to make. Whether to join the new system or remain in the old one. Individual choice plays a big role in this new system and I intend to see to it that you receive all the information you need to make the right decisions.

This pamphlet is the first in a series of informational materials about the new system. I urge you to pay close attention to all of the materials you will be receiving over the next several months to help you plan for your retirement.

Sincerely,

Constance Horner

Constance Horner
Director

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Introduction

Retirement . . . a time for reflection, rest and enjoyment . . . a rewarding time. But, a rewarding retirement doesn't just happen. It takes careful planning. Knowing when you can retire and where you will stand financially are important parts of that planning process. The financial security you will have in the future depends, in part, on the plans you make today.

Recognizing the importance of your future, the Federal government offers a retirement program that helps provide financial security for you and your family. You have the opportunity to participate in the **Federal Employees Retirement System (FERS)**. This is one of the most important benefit programs you receive as a Federal employee.

FERS is the new Federal retirement system that is responsive to the changing times and Federal work force. Many of its features are "portable," so that if you leave Federal employment, you may still qualify for the benefits. FERS is flexible; you will be able to choose what is best for your individual situation. And FERS enables you to take an active role in securing your future.

This booklet highlights the Federal Employees Retirement System (FERS).

Overview

Why FERS?

The need for a new retirement system for Federal employees began with Public Law 98-21, which provided that Federal employees hired after December 31, 1983 would be covered by Social Security.

A second law, Public Law 98-168, provided for a transition period from January 1, 1984 to January 1, 1986 for employees hired after December 31, 1983. During this period employees were fully covered under the Civil Service Retirement System (CSRS) and Social Security benefits. This transition period was extended to December 31, 1986 with the passage of Public Law 99-335, which established the Federal Employees Retirement System (FERS).

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Effective Dates

The new Federal Employees Retirement System is effective January 1, 1987. All new employees hired after December 31, 1983 are automatically covered by FERS. Other Federal employees not covered by FERS have the option to transfer into FERS.

The Components

FERS is a three-tiered retirement plan. The three components are:

- Social Security Benefits
- Basic Benefit Plan
- Savings Plan

You pay full Social Security taxes and a small contribution to the Basic Benefit Plan. In addition, you are able to make tax-deferred contributions to a savings plan and a portion will be matched by the government.

The three components of FERS work together to give you a strong financial foundation for your retirement years.

Social Security Benefits

The first part of FERS is Social Security.

What Is Social Security?

For purposes of FERS, the term "Social Security" means benefit payments provided to workers and their dependents who qualify as beneficiaries under the Old-Age, Survivors and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability or death. It is designed to provide benefits that replace a greater percentage of earnings for lower-paid workers than for higher-paid workers. You also are covered under Social Security's Medicare Hospital Insurance program. This pays a portion of hospital expenses incurred while you are receiving Social Security disability benefits or retirement benefits at age 65 or older.

Social Security Benefits

Social Security's OASDI programs provide:

- monthly benefits if you are retired and have reached at least age 62, and monthly benefits during your retirement for your spouse and dependents if they are eligible;
- monthly benefits if you become disabled and benefits for your spouse and dependents if they are eligible during your disability;
- monthly benefits for your eligible survivors;
- lump sum benefit upon your death.

To become eligible for benefits, yo your family must meet different s requirements for each type of bene underlying condition of payment of benefits is that you have paid Social rity taxes for a minimum period of ti

The amount of monthly benefits y ceive is based on three fundamental fa

- *average earnings* upon which you paid Social Security taxes, whic adjusted over the years for chan average earnings of the American force;
- *family composition* (for exa whether you have a spouse or d dent child who may be eligib benefits);
- *Consumer Price Index* (CPI) cha that occur after you become enti benefits.

Benefits are subject to individual and maximums.

Once benefits begin, their contin may depend upon your meeting a v of conditions. For example, if you have ings that exceed specified amounts you are under age 70, your Social Se benefits will be reduced or stopped. are no special Social Security rules for participants, including those who tran FERS.

Social Security Taxes

Most of the cost of Social Security is paid for through payroll taxes. Each year you pay a percentage of your salary up to a specified earnings amount, called the maximum taxable wage base. The Federal government, as your employer, pays an equal amount.

The maximum taxable wage base is $42,000 in 1986. It increases automatically each year based on the yearly rise in average earnings of the American work force.

The Social Security tax covers both the OASDI and Medicare Hospital Insurance programs. The Medicare portion you and your agency each pay is 1.45% up to the maximum taxable wage base. No increases are scheduled. The percentages you each pay for OASDI coverage are as follows:

1986 and 1987	5.70%
1988 and 1989	6.06%
After 1989	6.20%

Basic Benefit Plan

The second part of FERS is the Basic Benefit Plan.

Eligibility

Participation

If you are covered by FERS, or you elect to transfer from the CSRS to FERS, you will participate in the Basic Benefit Plan.

Vesting

To be vested, i.e., eligible to receive your retirement benefits from the Basic Benefit Plan, even if you leave Federal service before retiring, you must have at least *five* years of creditable civilian service. Survivor and disability benefits are available after 18 months of service.

Creditable Service

Creditable service generally includes:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for post-1956 military service, you must deposit 3% of your military base pay. Interest begins two years after you are hired, or January 1, 1989, whichever is later. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay.
- Leaves of absence for performing military service or while receiving workers' compensation.

Unused sick leave is *not* converted into creditable service for any purpose. (There is a limited exception for CSRS employees who transfer to FERS.)

Credit is not allowed for civilian after 1988 when no contributio withheld.

Contributions

Your contribution to the Basic Be is the difference between 7% of yo pay and Social Security's OASDI ta shown below:

YEAR	YOUR CONTRI
1987	1.30%
1988-89	0.94%
After 1989	0.80%

Refunds

You may withdraw your FERS c tions if you leave Federal employme ever, if you do, you will not be eligi ceive benefits based on service co the refund. **There is no provisio for the re-deposit of FERS contri that have been refunded.**

Retirement Options

There are three categories of retirement benefits in the Basic Benefit Plan:

- Immediate
- Early
- Deferred

Eligibility is determined by your age and number of years of creditable service.

In some cases, you must have reached the **Minimum Retirement Age (MRA)** to receive retirement benefits. The following chart shows the **MRA**

Minimum Retirement Age

If you were born . . .	Your MRA is . . .
Before 1948	55
In 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months
In 1953 through 1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 months
In 1969	56 and 10 months
In 1970 and after	57

Immediate

If you meet one of the following sets of age and service requirements, you are entitled to an *immediate* retirement benefit.

AGE	YEARS OF SERVICE
62	5
60	20
MRA	30
MRA	10*

*(reduced benefit)

Early

The *early* retirement benefit is available in certain *involuntary* separation cases and in cases of *voluntary* separations during a major reorganization or reduction in force. To be eligible, you must meet the following requirements:

AGE	YEARS OF SERVICE
50	20
Any Age	25

Deferred

If you leave Federal service, you may be eligible for *deferred* retirement benefits. To be eligible, you must have completed at least five years of creditable civilian service. You may receive benefits at one of the following ages:

AGE	YEARS OF SERVICE
62	5
60	20
MRA	30
MRA	10*

*(reduced benefit)

Reduced benefit means if you retire at the MRA with a least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5% a year for each year you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later.

Benefit Formula

How your benefit is calculated

Your benefit is based on your "high-three average pay." This is figured by averaging your highest basic pay over any three consecutive years of creditable service.

Generally, your benefit is calculated according to this formula:

1% of your high-three average pay
times
years of creditable service

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the Retirement Options section. For example, the total could be reduced if you elect to retire at the MRA before completing 30 years of service.

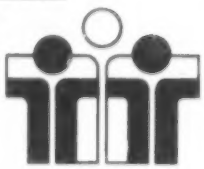
Special Retirement Supplement

Employees meeting certain requirements are eligible for a Special Retirement Supplement which is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the Federal government. You may be eligible for a Special Retirement Supplement if you retire:

- after the Minimum Retirement Age (MRA) with 30 years of service;
- at age 60 with 20 years of service;
- upon involuntary retirement. You will receive the Special Retirement Supplement beginning at the applicable MRA until age 62.

If you have earnings that exceed specified amounts, your Special Retirement Supplement will be reduced or stopped.

Survivor Benefits



The Basic Benefit Plan provides benefits for survivors of Federal employees and retirees.

Spouse

If you die while you are an employee . . .

If you are married and have worked for the Federal government for 18 months and you *die while you are an active employee*, your surviving spouse receives:

A lump sum payment equaling $15,000 (indexed to the Cost-Of-Living Adjustment for annuitants)
plus,
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit.

These benefits are paid *in addition* to any Social Security, group life insurance or savings plan survivor benefits.

If you die while you are a retiree . . .

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplementary annuity payable until age 60 if your spouse will not be eligible for Social Security survivor benefits until age 60.

Separate provisions apply to spouses of disabled annuitants.

Former Spouses

A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Children

If you have 18 months of civilian service and die while you are an active employee, or if you have retired, your children may be eligible to receive an annuity.

This benefit is payable to each unmarried child:

- up to age 18;
- up to age 22 if a full-time student;
- at any age if the child became disabled before age 18.

The amount of the FERS benefit depends on the number of children and if the children are orphaned. In 1986, the FERS surviving child benefit is approximately $2,800 per child for each of three children; $3,400 if orphaned. This is reduced dollar for dollar by any Social Security children's benefits that may be payable.

Disability Benefits

FERS disability benefits can help you replace part of your income, whether you are disabled for a short time or unable to work for a prolonged period.

What does disability mean?

You are considered disabled under FERS if you are unable to perform useful and efficient service in your position because of disease or injury. However, you will not be considered disabled if you decline your agency's offer of a position which accommodates your disability and is at the same grade or pay level and is within your commuting area.

You may also qualify for Social Security disability benefits if you are unable to work in *any* substantial gainful activity.

Eligibility

To qualify for FERS disability benefits, you must be disabled and have at least 18 months of creditable civilian service.

The Benefits

The first year:

60% of your high-three average pay
minus
100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be:

40% of your high-three average pay.

If you do qualify for Social Security benefits, your disability benefit will be reduced by 60% of the initial Social Security benefit to which you are entitled. The resulting total benefit will be equal to at least 40% of your high-three plus 40% of your Social Security disability benefits.

If you are a disability retiree and your total income from work in a calendar year exceeds 80% of the current pay level of your former job, the disability benefits will be discontinued. In addition, you may be required to provide proof periodically that you have not recovered from your disability.

Cost-Of-Living Adjustments (COLAs)

As a regular retiree, you receive a Cost-Of-Living Adjustment (COLA) if you are age 62 or older.

Survivors and disability retirees receive a COLA regardless of their ages.

The amount of the annual COLA percentage is based on the increase in the Consumer Price Index (CPI).

INCREASE IN CPI	ANNUAL COLA PERCENTAGE
Up to 2%	Same as CPI increase
2% to 3%	2%
3% or more	CPI increase minus 1%

The Special Retirement Supplement for retirees is not increased by COLAs; the Supplement for survivors is increased by COLAs.

Forms of Payment

FERS Basic Benefits are generally paid in the form of an annuity. Non-disabled retirees may withdraw their own contributions in a lump sum and receive a reduced annuity.

Savings Plan

The third part of your FERS benefit is the Savings Plan, a special tax-deferred savings plan for Federal employees. It is comparable to similar plans offered by many large private employers.

Your personal savings are a very important part of your future financial security. By participating in the Savings Plan, you have the opportunity to save part of your income on a pre-tax basis. The government establishes a savings plan account for you and you make contributions to your account through payroll deductions. You decide how your money will be invested. And the government will match part of your savings.

The Savings Plan is managed by the Federal Retirement Thrift Investment Board (Thrift Board).

Eligibility

All Federal employees covered by FERS on January 1, 1987, are eligible to participate in the Savings Plan. Employees hired after that date will generally have a 6-12 month waiting period.

Employees covered by the Civil Service Retirement System also may participate in the Savings Plan, but under different rules.

Contributions

Your government agency auto
contributes 1% of pay to your sa
count each pay period, even if yo
ute nothing.

You may contribute up to 10% o
to the Savings Plan through
deductions.

The government will match a
your savings according to the
schedule:

YOUR CONTRIBUTION	GOVER MA
First 3% of pay	$1.00
Next 2% of pay	$ 50
Next 5% of pay	

Therefore, the government ag
work for will contribute 5% to you
plan account if you save 5%. This
the 1% automatic contribution.

Vesting

You have immediate rights to
tions made to your savings plan
both yours and the government's,
the automatic 1% government co
That means, you *own* these cont
even if you leave Federal service b
ing. If you are a career civilian e
you own the 1% government contr
ter three years of service. If you a
career SES member, political a
member of Congress or a Cong
staff member, this automatic contri
comes yours after two years of s

Investing Your Savings

You may elect to invest your savings plan account money in one or all of three investment funds. The funds differ in the rate of return and amount of risk involved. You can change the amount or type of investment at least twice a year in open seasons to be established by the Thrift Board.

Government Securities Investment Fund

This fund consists of special-issue securities guaranteed by the United States Government. It is a risk-free investment with a competitive rate of return.

Any money for which a fund is not designated will be invested in the Government Securities Fund.

Fixed Income Investment Fund

This fund is designed to emphasize protection of your savings while providing an attractive rate of return. Your money will be invested in Guaranteed Investment Contracts (GICs), bank certificates of deposit or other private sector securities. These investments provide a fixed rate of return for a specified period of time.

Common Stock Index Investment Fund

This fund consists of equity investments made in proportion to a diversified common stock index. It is designed for long-term growth. Since it is a stock fund, the rate of return will vary from time to time.

Phase-In Period

During the first 10 years of the Savings Plan, private sector investment options will be phased into the plan. This means the amounts of money restricted to investments in government securities will vary according to the following schedule:

Percentage required to be invested in Government Securities

Year	Employee Contributions	Government Contributions
1987	100%	100%
1988	80%	100%
1989	60%	100%
1990	40%	100%
1991	20%	100%
After 1991, all employee contributions may be invested in private sector securities, at the employees' option.		
1992	0	100%
1993	0	80%
1994	0	60%
1995	0	40%
1996	0	20%
After 1996, all funds may be invested in private sector and/or government securities at the employees' option.		

CSRS Participants

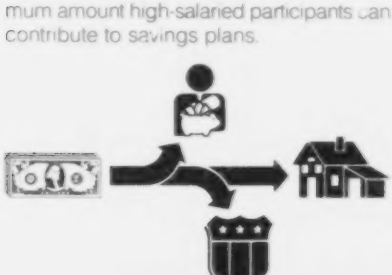
Employees covered by the CSRS who elect to participate in the Savings Plan, may contribute up to 5% of pay. These funds may only be invested in the Government Securities Fund. This money will *not* be matched by the government.

Managing Your Investments

The investment funds are managed by the Thrift Board, a board of five members appointed by the President, with recommendations from the Senate and House. An Executive Director, appointed by the Board, oversees investment operations, record-keeping and the business of the Savings Plan.

Tax Advantages

Saving through the Savings Plan allows you to defer some of your income taxes. Your contributions, the government match and investment earnings accumulate tax-free. The money is taxable as current income when you receive funds from your account. IRS rules sometimes limit the maximum amount high-salaried participants can contribute to savings plans.



Receiving Your Account

You may not withdraw your funds from the Savings Plan while you are employed with the Federal government.

If you

- retire,
- become disabled,
- die, or
- leave Federal service after bein in the FERS Basic Benefit Pla

you or your beneficiary may rece savings account in any of these f

- annuity,
- lump sum payment,
- rollover to an Individual Retire count (IRA) or similar plan.

However, if you leave Federal ser being vested, you cannot withdraw count in a lump sum until you begi ing a deferred annuity from the Ba efit Plan.

If you leave Federal service *befo* vested in the FERS Basic Benefit P can only withdraw your savings ac rolling it over into an IRA or simila

Loan Program

A loan program will be establishe ary 1, 1988. At that time, you will b borrow from your savings plan acc serious financial needs such as:

- purchase of your primary res
- medical expenses not cove health insurance;
- educational expenses for you dependents;
- financial hardship.

You can borrow up to the full amoun contributions. This does not incl government contribution.

Special Groups of Employees

Firefighters

Law Enforcement Officers

Air Traffic Controllers

These groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional 0.5% of pay to FERS.

Your annual annuity is:

1.7% of your high-three average pay
times
years of service up to 20
plus
1.0% of your high-three average pay
times
years of service exceeding 20

You also receive a Special Retirement Supplement until age 62 that approximates the Social Security benefit earned in Federal service. After you reach the Minimum Retirement Age (MRA), if you have earnings that exceed specified amounts, your supplement will be reduced or stopped.

In addition, you are entitled to an annual COLA, regardless of your age.

Military Reserve Technicians

If you are a military reserve technician who loses the military status required to maintain your position, you may retire and receive an unreduced annuity if you are at least age 50 with 25 years of service.

In addition, a Special Retirement Supplement is payable until age 62. After you reach the Minimum Retirement Age (MRA), if you have earnings that exceed specified amounts, your supplement will be reduced or stopped.

Part-time Employees

In calculating the annuity for employees with part-time service after December 31, 1986, the average high three consecutive years of pay will be based on the full-time pay rate. The benefit based on the full-time rate is reduced according to the part-time schedule.

Enrolling in FERS

Members of Congress

Congressional Employees

Members of Congress receive an unreduced annuity at age 50 with 20 years of service, or at any age with 25 years of service. Congressional employees must meet the age and service requirements explained in the Basic Benefit Plan section.

If you are a Member of Congress or a Congressional employee, with at least five years of Congressional service, your annuity will be:

1.7% of your high-three average pay
times
years of Congressional service up to 20
plus
1.0% of your high-three average pay
times
any other service.

A Special Retirement Supplement is payable from Minimum Retirement Age to age 62. If you have earnings that exceed specified amounts, your supplement will be reduced or stopped.

COLAs are payable to Congressional retirees before age 62 only if they retire for disability.

Members of Congress and Congressional employees contribute an additional 0.5% of pay to FERS.

New Employees

All new employees hired after Decembe 31, 1986 are automatically covered b FERS.

Employees in Interim Plan

The interim plan, created under the Fed eral Employees' Retirement Contributio Temporary Adjustment Act, is in effect fro January 1, 1984 through Decembe 31 1986.

If you were newly hired between Januar 1, 1984 and December 31, 1986, you re ceive credit for all service toward FERS. Yo enter the Savings Plan in January 1987, wit an initial account balance of 1% o 1984–1986 pay, plus interest.

If you have five years of creditable civilia service by December 31, 1986, then you re main under CSRS and Social Security. You benefit will be offset by any Social Securit benefits attributable to your Federal service You can elect to transfer to FERS.

If you have less than five years of credita ble civilian service as of December 31, 1986 you are automatically covered by FERS. Yo receive the initial savings account balanc of 1% of 1984–1986 pay.

CSRS Employees

Employees currently employed and covered by CSRS may make an irrevocable election between July 1 and December 31, 1987, to transfer to FERS. If you make this election, the following transition rules apply:

- Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest three consecutive years of pay.
- You will receive a full CSRS COLA on the CSRS portion of your annuity.
- Your service after the date of transfer is treated under FERS rules.
- All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor and Savings Plan benefits under FERS.
- You will receive survivor and disability coverage from FERS only.
- Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower.
- You begin Social Security coverage when you enroll in FERS.
- You will receive government contributions to your savings account and avoid the 6–12 month waiting period for participation.

Rehires

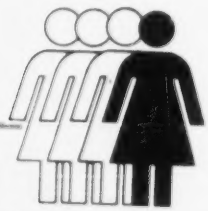
If you leave government service and return *within* one year and you were previously covered under CSRS (without Social Security), then you will be covered by CSRS upon re-employment. However, you may elect to transfer to FERS, in which case you will be covered by Social Security.

If you leave government service and return *after* more than one year and you were previously covered under CSRS, then you are covered by Social Security and:

- If you have less than five years under CSRS, you are covered by FERS. You will receive credit for your CSRS service if you make any payments for your past service that may be required.
- If you have five or more years under CSRS, you are covered by CSRS. Your CSRS contributions are reduced by 100% of your Social Security OASDI taxes. Your CSRS benefit will be offset by any Social Security benefit attributable to your Federal service. You may transfer to FERS.

If you are rehired under CSRS, you may elect to transfer to FERS within six months of re-employment, or during the six-month period beginning July 1, 1987, whichever comes first.

Examples



The following examples illustrate the minimum benefits that you can expect to receive under FERS. In reviewing these examples, note that the benefits shown are *estimates*, based upon certain assumptions about future salary increases, investment return and other factors, which directly affect your final level of benefits.

In these examples, estimated Social Security benefits do not include any spousal or dependent benefits that may be available and which could significantly increase the Social Security benefit shown. Furthermore, a 6% annual investment return has been assumed for contributions to the FERS Savings Plan. All benefits are expressed in 1986 dollars. Benefits have been rounded to the nearest ten dollars and percentages may not total exactly due to rounding.

Example #1

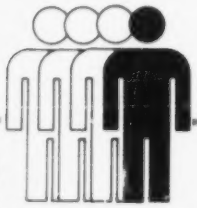
Mary is a clerical employee who retires at age 62 under FERS in 2016 after 30 years of creditable service. Her final year salary is $20,000 and her final average three-year salary is $18,970. Including five years of employment outside of the Federal government, Mary had a total of 35 years of Social Security covered employment. Each pay period Mary also contributed 2% of her salary to the Savings Plan, which was matched by a Federal government contribution of 3% of Mary's salary, which includes the government's automatic 1% contribution.

Mary's estimated retirement benefit under FERS is:

Initial FERS Benefit	Annual Benefit	
	Dollar Amount	As % of Final Year's Salary
Social Security	$ 4,840*	24%
Basic FERS (1.1% x $18,970 x 30 years)	6,260	31
Savings	2,360	12
Total	$13,460	67%

* $4,150 of which is attributed to Federal service.

If Mary had contributed 5% of her salary to the Savings Plan, rather than 2%, her yearly Savings Plan benefit would have been $4,720. This would have increased Mary's total initial FERS benefit to $15,820 per year—79% of her final year's salary of $20,000.



Example #2

Harry is a Federal manager who retires at age 62 under FERS in 2016 after 30 years of creditable service. His final year salary is $50,000 and final average three-year salary is $47,420. Including five years of employment outside of the Federal government, Harry had a total of 35 years of Social Security covered employment. Each pay period Harry also contributed 2% of his salary to the Savings Plan, which was matched by a Federal government contribution of 3% of Harry's salary.

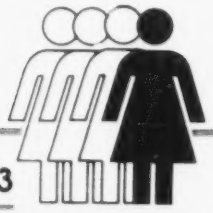
Harry's estimated retirement benefit under FERS is:

Initial FERS Benefit	Annual Benefit: Dollar Amount	Annual Benefit: As % of Final Year's Salary
Social Security	$ 7,700*	15%
Basic FERS (1.1% x $47,420 x 30 years)	15,650	31
Savings	5,700	11
Total	$29,050	58%

* $6,600 of which is attributed to Federal service.

As a percentage of final year's salary, Harry receives a total FERS retirement benefit that is 9% lower than Mary's in Example #1, because Social Security replaces a greater portion of earnings of lower-paid employees than higher-paid employees.

If Harry had contributed 5% of his salary to the Savings Plan rather than 2%, his yearly Savings Plan benefit would have been $11,400. This would have increased Harry's total initial FERS benefit to $34,750 per year—69% of his final year's salary of $50,000.



Example #3

Jane is an administrator who retires at age 57 under FERS in 2016 after 30 years of creditable service. Her final year salary is $47,580 and final average three-year salary is $44,760. Including five years of employment outside of the Federal government, Jane had a total of 35 years of Social Security covered employment. Each pay period Jane contributed 2% of her salary to the Savings Plan, which was ma
eral government contribut
Jane's salary. Because Jan
age 62 with 30 years of serv
entitled to the Special Retir
ment under FERS until age 6
Security retirement benefits.

Jane's estimated retiremer
FERS is:

Initial FERS Benefit	Annual Benefit	
	Dollar Amount	As % of Year's S
Special Retirement Supplement	$ 5,720	12%
Basic FERS (1% x $44,760 x 30 years)	13,430	28
Savings	4,330	9
Total	$23,480	49%

If Jane had contributed 5% of her salary to the Savings Plan rather than 2%, her
Plan benefit would have been $8,660. This would have increased Jane's total initi
to $27,810 per year—58% of her final year's salary of $47,580.

For More Information

There are four sources which will help you if you have questions or want more information about FERS.

Inquiries should be directed to the:

- **Personnel Office** in your agency . . . for questions concerning your individual situation.
- **Social Security Administration** . . . for questions concerning your Social Security benefits.
- **Thrift Board** . . . for questions concerning the Savings Plan.
- **Office of Personnel Management** . . . for questions concerning the Basic Benefit Plan.

This booklet contains highlights of the Federal Employees Retirement System (FERS). It is not meant to provide a detailed explanation of all the plan provisions.

United States Office of Personnel Management

Retirement and Insurance Group

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